



# Business Plan 2008-2010

**CREDIT UNION**  
DEPOSIT GUARANTEE CORPORATION





## MESSAGE FROM THE CHAIRPERSON



I am pleased to provide the business plan for 2008-2010 of the Credit Union Deposit Guarantee Corporation, a crown corporation reporting to the Minister of the Department of Government Services, with responsibility for the regulation of credit unions in the Province of Newfoundland and Labrador.

On December 16, 2004 Government passed the *Transparency and Accountability Act* requiring public bodies such as the Corporation to prepare a multi year performance based plan every three years, commencing 2008. The Corporation is a category 2 entity under the *Act*.

This plan is a three year plan commencing January 2008 in accordance with the legislative requirement of the *Transparency and Accountability Act*.

In preparing its business plan the Board of the Corporation considered the strategic directions of the Department of Government Services and has determined that the Corporation does not have a direct role to play in those directions, as they are related to specific areas that the Department is addressing.

This business plan provides an overview of the Corporation and identifies the strategic issues and goals to be accomplished during the next three years. The Board of the Corporation is accountable for the preparation of this plan and for the achievement of the specific issues and goals contained therein.

Winston Morris  
Chairperson



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Business  
Plan

## PLAN AT A GLANCE

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### **Vision**

Newfoundlanders and Labradorians having access to a credit union system that is strong, stable and successful.

### **Mission**

By 2010 the Credit Union Deposit Guarantee Corporation's mission is that it will have improved systems in place to facilitate credit union compliance with sound business practices.

### **Goal One:**

**By 2010:** The Credit Union Deposit Guarantee Corporation will have facilitated the improvement of the corporate governance of credit unions.

### **Goal Two:**

**By 2010:** There will be a new credit union act and regulations and information sessions will be delivered to credit union directors and management.



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# 1. OVERVIEW

The Credit Union Deposit Guarantee Corporation (the Corporation) provides protection for deposits of credit union members in Newfoundland and Labrador. The Corporation maintains a deposit guarantee fund for this purpose, which represents the accumulated assessments paid by credit unions, as well as the accumulated operating surplus of the Corporation. The Corporation is self funding and does not access public revenues for its operating needs.

The Corporation is responsible for the administration of the *Credit Union Act* and Regulations, for ensuring compliance with the *Act* and Regulations by credit unions, for the stabilization of the credit union system and providing deposit insurance to credit union members. It monitors and examines the financial affairs of credit unions and works with credit unions to resolve deficiencies identified through this process. The Corporation may impose financial and governance standards for credit unions and enforce sound business practices. It has the authority to place credit unions under supervision and to act as administrator and/or liquidator, pursuant to the *Credit Union Act*.

The Corporation administers various credit union insurance programs provided by the Credit Union Bonding Program, a national credit union risk sharing insurance program managed by CUMIS Insurance. These insurance programs include Fidelity Bonding, Directors Liability and Corporate Reimbursement, Corporate Errors and Omissions, Employment Practices Liability and Privacy Liability.

The Corporation is an active participant in national and regional credit union related organizations. Management represents the Corporation on the National Risk Management Committee, the Credit Union Stabilization/Insurers Committee, the Atlantic Stabilization Funds/Insurers Committee, and the National Credit Union Regulators Committee.

The Corporation's revenues are generated from deposit insurance assessments (70%), premiums from other insurance programs (20%) and investment income (10%). The Corporation's primary operating expenses are salaries and benefits (50%), insurance costs (25%) and other operating costs (25%) such as travel and administration. The Corporation is self funding and is not a part of government's budgetary process. The Board of Directors of the Corporation is responsible for the approval of the budget and expenditures of the Corporation.

The credit union system in Newfoundland and Labrador is comprised of 13 credit unions with offices in 40 locations, approximately 51,000 members and assets in excess of 632 million dollars. The system employs 312 people.



## 2. MANDATE

The mandate of the Credit Union Deposit Guarantee Corporation is informed through Section 177 of the *Credit Union Act* as contained in Appendix A. Its mandate is to protect the qualifying investments of credit union members. The Corporation facilitates the financial stability of the credit union system by requiring credit unions and their trade associations to comply with legislation and exercise sound business practices.

## 3. LINES OF BUSINESS

The Credit Union Deposit Guarantee Corporation provides the following lines of business to its primary clients:

1. Regulation of Credit Unions
2. Deposit Insurance
3. Stabilization

### Regulation

The Corporation regulates credit unions through its examination, monitoring and enforcement activities.

#### *Examination*

Every two years the Corporation examines credit unions for compliance with legislation and sound business practices.

#### *Monitoring*

Monthly, quarterly and annually the Corporation receives reports from credit unions which are reviewed and, if necessary, remedial action is taken. Annually the Corporation also reviews independent audited statements of credit unions prepared by accountants licensed under the *Public Accountancy Licensing Act*.

#### *Enforcement*

Credit Unions who remain non-compliant are assessed fines and penalties pursuant to legislation and/or are placed under supervision by the Corporation.

### Deposit Insurance

The Corporation provides deposit insurance on deposits of credit union customer/owners equal to a maximum \$250,000 per insured deposit. There are five insured deposits, including:

- Basic deposits
- Joint deposits,
- Registered Retirement Savings Plans (RRSP'S)
- Registered Retirement Income Funds (RRIF'S),
- Trust accounts.



## **Stabilization**

The Corporation stabilizes credit unions through supervision, training and risk management activities.

### *Supervision*

Credit Unions experiencing on-going difficulties are placed under supervision. The degree of supervision depends on the severity of the problem. The supervision process could involve requiring a credit union to prepare a plan to address the problem creating the difficulty and monitoring for compliance, or replacing the Board of Directors and merging the credit union with another credit union or eventually winding up a credit union.

### *Training*

Under legislation the Corporation may prescribe the minimum level of training for a director, officer or staff member of a credit union. During the past number of years the Corporation has been encouraging training of directors in good corporate governance practices by financially supporting director training and facilitating an annual directors' conference.

### *Risk Management*

The Corporation administers five insurance policies on behalf of the credit union system. The five policies are Bonding, Directors Liability and Corporate Reimbursement, Corporate Errors and Omissions, Employment Practices Liability and Privacy Liability. The Corporation also serves as the provincial representative on the National Risk Management Committee.

Under the risk management program all employees and directors of credit unions are required to complete and file a fidelity bond application. This program is administered by the Corporation. In addition the Corporation co-ordinates and files credit union loss claims and facilitates training to credit unions in good risk management practices in areas covered by the policies. This training includes such areas as cash custody control procedures, debit card fraud, identity theft, credit card fraud, employee dishonesty, robbery prevention, phishing, skimming, cheque fraud, money laundering and privacy legislation requirements.





## 4. VALUES

The Corporation believes in carrying out all its responsibilities in a co-operative, equitable, respectful and professional manner. It encourages staff to reach their fullest potential through ongoing training and development. The following values are those that the Board has identified to focus on during this planning cycle.

**Accountability:**

Each employee will work to ensure that the commitments of the Board’s performance-based plan are fulfilled and the annual report on the results of this plan are released in a timely and accurate manner

**Professionalism:**

Each employee will avail of learning opportunities to ensure that they have the appropriate skills and knowledge required for their job responsibilities

**Respect:**

Each employee will consider the opinions and points of view of others

**Confidentiality:**

Each employee will take all necessary precautions to safeguard client information within the context of their legal responsibilities

## 5. PRIMARY CLIENTS

The Credit Union Deposit Guarantee Corporation identifies its primary clients as those individuals, groups, or organizations who are the primary users and/or beneficiaries of the Board’s lines of business, and include the following:

- Credit Unions
- Credit Union members



## 6. VISION

Newfoundlanders and Labradorians having access to a credit union system that is strong, stable and successful.

## 7. MISSION STATEMENT

The Credit Union Deposit Guarantee Corporation's mission is to have improved systems in place to facilitate credit union compliance with sound business practices by 2010.

In developing its mission statement, the Corporation considered the demographic, economic, financial and technological trends in the credit union system nationally, regionally, and provincially and the financial industry as a whole. The Corporation's internal strengths and challenges and external opportunities and challenges were reviewed. Finally, the Corporation identified those areas that it could reasonably influence.

The following measure and indicators were developed in support of the mission after taking into consideration areas of weakness identified through the examination, monitoring and supervision processes as well as new and emerging risks in the financial industry.

By 2010, the Credit Union Deposit Guarantee Corporation will have improved credit union compliance with sound business practices.

**Measure:**

Improved corporate governance.

**Indicators:**

- Increase in the training and education courses offered to credit union directors.
- Continuation of the facilitation of annual director conferences designed on good Corporate Governance practices
- Continuation of periodic meetings between the Board of the Corporation and the Boards of Credit Unions
- The development of new standards of sound business practices
- Revisions to the Credit Union Act and regulations approved.
- Information sessions on the Act and regulations will be delivered to credit union Directors and management.



## 8. ISSUES

The Board of the Corporation identified two issues through the examination and supervision processes that are addressed in its plan that would be beneficial to most credit unions.

### ISSUE ONE: Corporate Governance of Credit Unions

#### **GOAL ONE:**

**By 2010:** The Credit Union Deposit Guarantee Corporation will have facilitated the improvement of the corporate governance of credit unions.

#### *Measure:*

Completion of training for corporate governance of credit union directors.

#### *Indicators:*

- Completion of a training session on Strategic Planning
- Completion of a training session on new Standards of Sound Business Practices
- Development of a training program for new Credit Union Directors
- Annual financial support for developmental courses for credit union directors and an annual directors' conference.

#### **By 2008:**

The Credit Union Deposit Guarantee Corporation will have developed a training program for new credit union directors and delivered specialized training for all directors.

#### *Measure:*

Development of training program and delivery of specialized training in strategic planning and new Standards of Sound Business Practices.

#### *Indicators:*

- List of training needs for new directors identified.
- Specialized training on strategic planning and new standards of sound business practices delivered to all current directors.
- Resource people to deliver all training identified.



**By 2009:**

The Credit Union Deposit Guarantee will commence monitoring of credit unions under the new Standards of Sound Business Practices and provide the training for new credit directors.

*Measure:* Delivery of training program for new directors and the monitoring of credit union for compliance with the new Standards of Sound Business Practices.

*Indicators:*

- Training delivered to new directors.
- Monitoring of credit unions for compliance with the new Standards of Sound Business Practices commenced.

**By 2010:**

The Credit Union Deposit Guarantee Corporation will have completed training for corporate governance of credit union directors.

## **ISSUE TWO: Balanced Regulation**

Achieving and maintaining the appropriate level of Government regulation is a challenge in the financial industry given the rapid changes that are occurring. Some regulations are outdated and needs to be changed or eliminated. This is also consistent with government's Red Tape Reduction Initiative.

### **GOAL TWO:**

**By 2010:**

There will be a new *Credit Union Act* and regulations and information sessions will be delivered to credit union directors and management.

*Measure:*

Approved Act proclaimed, regulations approved and information sessions delivered

*Indicators:*

- Stakeholders consulted.
- Draft legislative changes prepared.
- Discussions held with stakeholders on final changes
- Revisions forwarded to the Department of Justice for input and review
- Cabinet paper prepared and submitted for ministerial and Cabinet approval
- Act introduced into House of Assembly.
- Regulations approved by minister
- Information sessions delivered



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**By 2008:**

The Credit Union Deposit Guarantee Corporation has completed consultations on a new credit union act and regulations with its stakeholders and submitted a draft act to cabinet for approval for introduction to the House of Assembly and a draft regulations to the minister for approval.

*Measure:*

Draft Act submitted to Cabinet for approval and draft regulations submitted to minister for approval.

*Indicators:*

- Review commenced
- Opinions solicited from the Credit Unions.
- Consultations completed.
- Draft Act and regulations written.
- Draft Act submitted to Cabinet for approval
- Draft regulations submitted to Minister for approval

**By 2009:**

The Credit Union Deposit Guarantee Corporation has delivered information sessions on the new act and regulations.

*Measure:*

Information sessions have been delivered

*Indicators:*

- Information session delivered to Credit Union Directors
- Information session delivered to Credit Union Management

**By 2010:**

A new *Credit Union Act* will be proclaimed and new regulations approved and information sessions are delivered.



## 9. APPENDIX A - MANDATE

### **Legislated Mandate** (Source: *Credit Union Act*)

177. The purposes of the guarantee corporation are:
- (a) To provide, for the benefit of persons having deposits with credit unions in the province, deposit insurance against loss of part or all of those deposits by making payments to the depositors to the extent and in the manner authorized by this Act
  - (b) In those circumstances that the guarantee corporation considers appropriate, to provide assistance to credit unions for the purpose of stabilization or for the orderly liquidation of a credit union
  - (c) To protect deposits in credit unions against impairment arising from financial losses and insolvency by:
    - (i) Promoting the development and implementation of sound business and financial policies and procedures by credit unions
    - (ii) Establishing and implementing loss prevention programs and other controls
  - (d) To perform all duties delegated to it by the superintendent
  - (e) To act as supervisor of a credit union and a trade association
  - (f) To do those other things as may be required or authorized by this Act or the regulations





